

VZCZCXRO7508
PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #2715/01 1370830
ZNR UUUUU ZZH
P 170830Z MAY 06
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 2170
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/HQ USPACOM HONOLULU HI
RHHMHBA/COMPACFLT PEARL HARBOR HI
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA//
RHMFIUU/COMUSJAPAN YOKOTA AB JA//J5/JO21//
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA
RUAYJAA/COMPATWING ONE KAMI SEYA JA
RUEHNH/AMCONSUL NAHA 8870
RUEHFK/AMCONSUL FUKUOKA 6238
RUEHOK/AMCONSUL OSAKA KOBE 9456
RUEHNAG/AMCONSUL NAGOYA 6203
RUEHKSO/AMCONSUL SAPPORO 7401
RUEHBJ/AMEMBASSY BEIJING 2303
RUEHUL/AMEMBASSY SEOUL 8479
RUCNDT/USMISSION USUN NEW YORK 0298

UNCLAS SECTION 01 OF 14 TOKYO 002715

SIPDIS

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA
WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST
DIVISION; TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS
OFFICE; SECDEF FOR JCS-J-5/JAPAN,
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY
ADVISOR; CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)
SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 05/17/06

INDEX:

- (1) Koizumi orders cabinet decision on "big-boned policy guidelines" before end of current Diet session, rejecting LDP's call for postponement
- (2) Okinawa Times-Asahi Shimbun joint poll in Okinawa Prefecture on Koizumi cabinet, political parties, Gov. Inamine, USFJ realignment, Futenma relocation
- (3) Poll on USFJ realignment
- (4) Minshuto bill amending Fundamental Law of Education includes rightist expressions for patriotism, religion, perplexing LDP
- (5) Poll on education law amendment
- (6) Leaders of Mindan, Chongryon to hold first meeting today to resolve conflict, issue joint statement
- (7) Reconciliation between Mindan, Chongryon as top leaders meet and issue a joint statement of cooperation toward uniting resident Koreans in Japan
- (8) Post-Koizumi contenders - A study of Taro Aso (Part 2): Under pressure from his background, he makes himself out to be a bad guy
- (9) Poll: 92.5% read newspapers
- (10) Self-protection of bureaucrats a universal practice

(11) Yachi faction on the rise

(12) Market opening efforts stalled; Patriotic economy; Rising protectionism; Japan rushing to defend itself against inflow of foreign funds

ARTICLES:

(1) Koizumi orders cabinet decision on "big-boned policy guidelines" before end of current Diet session, rejecting LDP's call for postponement

TOKYO SHIMBUN (Page 1) (Abridged slightly)
May 17, 2006

Prime Minister Junichiro Koizumi has ordered the Liberal Democratic Party to fine-tune "big-boned policy guidelines" before the current Diet session ends on June 18 for a cabinet decision in June, rejecting the party's informal request to postpone it until July.

According to a person connected with the LDP, Koizumi said in response to a senior Policy Research Council executive's call to defer the planned cabinet decision: "That's out of the question. You must work hard for a cabinet decision before the current Diet session adjourns."

A growing number of LDP lawmakers are calling for an extended Diet session to get a bill to amend the Fundamental Law of Education and other bills approved. But Koizumi has repeatedly declared, "I'm not thinking of extending the session."

TOKYO 00002715 002 OF 014

Koizumi is believed to have rejected the LDP's request in order to demonstrate his resolve to settle important bills before June 18.

"Big-boned policy guidelines" show directions regarding the government's important policies, such as economic and fiscal policies. The Council of Economic and Fiscal Policy compiles them around in June every year for a cabinet decision. They are reflected in compiling budgets for the following fiscal year.

To sum up the Koizumi reform drive, this year's guidelines are expected to incorporate strategies for expenditure-and-revenue reform and economic growth. The government plans to adopt the guidelines in June.

(2) Okinawa Times-Asahi Shimbun joint poll in Okinawa Prefecture on Koizumi cabinet, political parties, Gov. Inamine, USFJ realignment, Futenma relocation

OKINAWA TIMES (Page 3) (Full)
May 14, 2006

Questions & Answers
(Figures shown in percentage, rounded off.)

Q: Do you support the Koizumi cabinet?

Yes	34
No	45
Other answers (O/A) + no answer (N/A)	21

Q: Which political party do you support now?

Liberal Democratic Party (LDP)	22
Democratic Party of Japan (DPJ or Minshuto)	15
New Komeito (NK)	3
Japanese Communist Party (JCP)	2
Social Democratic Party (SDP or Shaminto)	4
People's New Party (PNP or Kokumin Shinto)	0
New Party Nippon (NPN or Shinto Nippon)	--
Liberal League (LL or Jiyu Rengo)	--

Okinawa Socialist Masses Party (OSMP or Shadaito)	1
Other political parties	0
None	40
O/A + don't know (D/K)	13

Q: Do you support Okinawa Governor Keiichi Inamine?

Yes	58
No	27
O/A+N/A	15

Q: The Japanese and US governments have now reached a final agreement on the realignment of US forces in Japan, including Futenma airfield's relocation to another site in Okinawa Prefecture and Okinawa-based US Marines' redeployment to Guam. Do you support this final accord?

Yes	27
No	55
O/A+N/A	18

TOKYO 00002715 003 OF 014

Q: To what extent do you think this US military realignment will reduce Okinawa's base-hosting burden? Pick only from among those listed below.

Very much	6
Somewhat	24
Not very much	47
Not at all	19
O/A+N/A	4

Q: To what extent do you think Okinawa Prefecture's public opinion has been reflected in the Japan-US agreement? Pick only one from among those listed below.

Very much	3
Somewhat	20
Not very much	49
Not at all	24
O/A+N/A	4

Q: Do you think this US military realignment will help develop Okinawa?

Yes	27
No	56
O/A+N/A	17

Q: The final agreement incorporates a plan to relocate Futenma airfield to a coastal area of Camp Schwab, a US military base located in the northern Okinawa prefectural coastal city of Nago. The government plans to lay down a V-shaped pair of 1,800-meter shore-based airstrips stretching out to the sea. Do you support this coastal plan?

Yes	19
No	69
O/A+N/A	12

Q: (Only for those who answered "yes") Why? Pick only one from among those listed below.

Because it will lead to base realignment and reduction in Okinawa	3
Because it will lessen danger	8
Because base-hosting localities can expect the government to help their economic development	4
Because the Japanese and US governments have agreed to do so	2
O/A+N/A	2
Not on the list	81

Q: (Only for those who answered "no") Why? Pick only one from among those listed below.

Because it won't lead to base reduction in Okinawa	14
Because it will be another source of harm to local communities	16
Because local public opinion is not well reflected	13
Because it will disrupt the natural environment	25
O/A+N/A	1
Not on the list	31

Q: Do you appreciate Nago Mayor Yoshikazu Shimabukuro for his

TOKYO 00002715 004 OF 014

agreement with the government to build two V-shaped runways over the issue of Futenma airfield's relocation?

Yes	22
No	60
O/A+N/A	18

Q: Gov. Inamine has asked the government to set up a temporary helipad at Camp Schwab for Futenma-based helicopters. However, he has now basically agreed with the Defense Agency director general on the government's plan. Do you appreciate his agreement this time with the defense chief?

Yes	36
No	46
O/A+N/A	18

Q: Do you think this US military realignment will be a plus to Japan's national security, or do you otherwise think it will be a minus?

Plus	31
Minus	43
O/A+N/A	26

Polling methodology: The survey was conducted May 13-14 in Okinawa Prefecture by the Okinawa Times and the Asahi Shimbun over the telephone on a computer-aided random digit dialing (RDD) basis. For the survey, respondents were chosen from among Okinawa Prefecture's voting population on a three-stage random-sampling basis. Valid answers were obtained from 919 persons (66%).

(3) Poll on USFJ realignment

MAINICHI (Page 2) (Abridged)
May 17, 2006

Questions & Answers

(T = total; P = previous; M = male; F = female)

Q: The Japanese and US governments have now reached a final agreement on the realignment of US forces in Japan. Japan and the United States will consolidate their military cooperation through realignment steps such as locating their commands at US military bases in Japan. Do you support this consolidation?

	T	P	M	F
Yes	45		52	39
No	43		44	42

Q: The final agreement includes redeploying 8,000 Okinawa-based troops of the US Marine Corps to Guam and moving some US military base functions from Okinawa to mainland prefectures. Do you appreciate such steps for the purpose of alleviating Okinawa's base-hosting burden?

	T	P	M	F
Yes	13		18	9
Yes to a certain extent	51		52	51
Not very much	17		17	17
No	9		9	9

Q: The US government says Japan's share of costs for US military

realignment in Japan would be about 3 trillion yen. What do you think about this?

T	P	M	F
Japan should share the realignment cost for its national security			
8		11	6
Japan should share the realignment cost but the amount is too high			
72		70	74
There's no need to share the cost			
12		15	10

Polling methodology: The survey was conducted May 13-14 over the telephone with the aim of calling a total of 1,000 voters across the nation on a computer-aided random digit sampling (RDS) basis. Answers were obtained from 1,061 persons.

(4) Minshuto bill amending Fundamental Law of Education includes rightist expressions for patriotism, religion, perplexing LDP

TOKYO SHIMBUN (Page 2) (Excerpts)
May 16, 2006

Minshuto (Democratic Party of Japan) finalized a set of counterproposals to the government's bill amending the Fundamental Law of Education during a meeting yesterday of its Council on Basic Education Problems. According to a veteran lawmaker, the opposition party's bill contains "many expressions" the Liberal Democratic Party (LDP) wanted to use but didn't as a result of its concessions to the New Komeito.

The Minshuto's bill represents "patriotism" as "fostering a mind that loves Japan" in the preamble.

But the government's bill specified it as "fostering an attitude that loves the nation and homeland," though the LDP wanted to use the word "mind." LDP conservatives have the impression that the government's bill includes just cut-and-paste expressions, compared with the Minshuto bill that is filled with simple expressions.

The Minshuto bill incorporated this expression: "fostering religious sensitivity," although the LDP wanted to include a similar expression to that in the government bill but couldn't.

The LDP has been perplexed at Minshuto's presentation of such a bill that is "more rightist than the government's bill," as said by a junior member. LDP members had not anticipated that Minshuto lawmakers linked to labor unions would easily give the nod.

A lawmaker responsible for education policy said: "The Minshuto bill is better than ours." There are even some LDP members who expressed expectations for negotiations with Minshuto on revising the government's bill during the Diet deliberations to start tomorrow.

Even if the Minshuto bill is greatly tinged with the LDP color, the LDP finds it difficult to respond to revision negotiations due to the presence of the New Komeito, its ruling partner.

The LDP intended to underline in deliberations on the bill that the Minshuto is a hodge-podge group, based on the judgment that

the main opposition party would be unable to compile a counterproposal. This expectation was dashed, and the tables now seem to be turned.

In a press conference yesterday, Chief Cabinet Secretary Shinzo Abe criticized the Minshuto bill and tried to check its moves, saying: "The bill apparently reflects some political motives. I wonder if the bill is based on a consensus in the party."

LDP Secretary General Tsutomu Takebe also stressed no intention of revising the bill, saying: "(The government bill) includes best measures." The LDP intends to try to shake up lawmakers coming from labor unions and the former Socialist Party by pointing out how rightist the Minshuto draft is.

(5) Poll on education law amendment

YOMIURI (Page 2) (Full)
May 17, 2006

Questions & Answers

(Figures shown in percentage. Parentheses denote the results of a survey conducted in April.)

Q: The government has introduced a bill to the Diet at its current session to amend the Fundamentals of Education Law, stipulating educational ideals and objectives. What do you think is important in particular? If any, pick as many as you like from among those listed below.

Add the wording "respect public spirit"	36.0
Add the wording "inherit traditions"	20.6
Add the wording "cultivate affluent sentiments and moral fiber"	48.4
Add the wording "make much of relation between occupations and lives, nurture work-oriented attitudes"	26.0
Add the wording "love our country and its land"	25.9
Add the wording "nurture attitudes contributing to the international community's peace and development"	28.5
Add the wording "parents have the primary responsibility to educate their children"	24.0
Cross out the current stipulation of 9-year compulsory education for a flexible period of compulsory education	6.0
Other answers (O/A)	0.1
Nothing in particular + no answer (N/A)	17.2

Q: Do you support the government's draft bill to revise the law?

Yes	28.1
Yes to a certain degree	37.6
No to a certain degree	8.6
No	5.6
N/A	20.1

Polling methodology

Date of survey: May 13-14.

Subjects of survey: 3,000 persons chosen from among all eligible voters throughout the country (at 250 locations on a stratified two-stage random sampling basis).

Method of implementation: Door-to-door visits for face-to-face interviews.

Number of valid respondents: 1,788 persons (59.6%).

Breakdown of respondents: Male-49%, female-51%.

TOKYO 00002715 007 OF 014

(6) Leaders of Mindan, Chongryon to hold first meeting today to resolve conflict, issue joint statement

NIHON KEIZAI (Page 3) (Slightly abridged)
May 17, 2006

The pro-Seoul Korean Residents Union in Japan, known as Mindan, and the General Association of Korean Residents in Japan, or Chongryon, have been at loggerheads for all of the 60-year postwar period. Mindan leader Ha Byong Ok and Chongryon leader So Man Sul will meet this morning with the aim of reconciling their policy differences and forming a coalition. This will be their first top-level meeting.

Mindan issued a statement yesterday noting: "The two groups in Japan will hold a meeting to resolve their conflicts and issue a joint statement." Seven Mindan representatives will visit Chongryon's head office in Tokyo today.

Mindanao and Chongryon have locked horns due to a difference in ideology since they were inaugurated. In the wake of the South-North summit in June 2000, however, momentum has been gathering for reconciliation among Korean residents in Japan. The two groups have already started exchanges and action to unify them at the regional level.

On the national level, the Chongryon Central Committee adopted in September 2005 the policy of "abandoning the distrust and antagonism in the past and sharing the determination to bring about unification." Mindanao also installed as president Ha, who calls for uniting based on broad common interests.

According to informed sources, an idea floated in late April suggesting that both groups should jointly form a preparatory panel in commemoration of the 6th anniversary of the South-North joint declaration on June 15. The two leaders are expected to decide in their meeting today to (1) confirm reconciliation in the joint statement; and (2) hold a summit meeting regularly. They will participate in the event held in Guangzhou, South Korea, in commemoration of the 6th anniversary of the South-North joint declaration in June.

One person well informed of circumstances on the Korean Peninsula sees "the declining influence of Chongryon" behind the unprecedented unification move. Mindanao has more than 400,000 members, while Chongryon has officially announced that the number is about 200,000, but it has been reported that a number of members seceded from it recently over the exposure of the abduction issue.

The Japanese government has been ratcheting up pressure on Chongryon, seriously affecting the flow of funds from that group to Pyongyang by imposing a fixed asset tax on Chongryon-related facilities, as well as taking other measures. Some observers analyze that Chongryon wants to demonstrate its flexible stance by holding talks with Mindanao.

South Korean President Roh Moo Hyun has been promoting an appeasement policy toward North Korea. Shigeru Yokota, the father of a Japanese abduction victim, is now visiting South Korea, but the South Korean government has declined to meet him, apparently out of consideration to North Korea.

TOKYO 00002715 008 OF 014

Chief Cabinet Secretary Shinzo Abe said in a press conference yesterday: "The government will continue to take the stance of holding talks and applying pressure." He added: "The Public Security Investigation Agency has an interest in Chongryon from the viewpoint of maintaining national security. We will carefully watch its moves."

(7) Reconciliation between Mindanao, Chongryon as top leaders meet and issue a joint statement of cooperation toward uniting resident Koreans in Japan

ASAHI (Top play) (Excerpt)
Evening, May 17, 2006

Ha Byonk Ok, leader of Mindanao, the pro-Seoul Korean Residents Union in Japan, and So Man Sui, head of the Chosen Soren (Chongryon in Korean), the pro-Pyongyang Association of Korean Residents in Japan, held their first top-level meeting ever this morning at Chongryon Headquarters in Tokyo's Chiyoda Ward. In a joint statement issued after their meeting, they used the expression "historical meeting" to describe their session. In accordance with the South-North Korean joint declaration issued in June, 2000, they proclaimed "a change from antagonism and rivalry to conciliation and unity (or harmony)." They came out with a clear stance of putting an end to their history of conflict that spanned over a half-century.

(8) Post-Koizumi contenders - A study of Taro Aso (Part 2): Under pressure from his background, he makes himself out to be a bad

guy

NIHON KEIZAI (Page 2) (Almost full)
May 17, 2006

"Don't worry. Jiro can do it even though I can't," Taro Aso would often say to his mother, Kazuko, when he was a child. Jiro was two years junior to Taro, but Jiro did everything better than Taro whether it was his studies or sports. A prevailing notion in the Aso family was that the future of the family would be in the hands of Jiro.

Aso, however, stopped saying such words when he was 23. The reason was because Jiro died in an accident at sea. Those who knew Taro and Jiro said equally: "The two brothers always got along well." It can easily be imagined how shocked Aso was by the death of his brother. But Aso's biological sister, Yukiko Soma, looking back on those days, said: "The death of Jiro might have helped my elder brother to develop his own faculties."

On his mother's side was Aso's grandfather, former Prime Minister Shigeru Yoshida, and Toshimitsu Okubo, a Japanese statesman in the Meiji era (1968-1912). Aso was also a great-grandson of Takichi Aso, a former member of the House of Lords who was dubbed the coal baron in Fukuoka Prefecture.

The little ruffian of the coal mines

Aso was brought up with severe discipline. Kazuko cautioned her children against extravagant lifestyles and fed her family rice cooked with barley (a staple food for the poor). Aso became a kind of little ruffian among the kids in that coal-mining town rather than be seen as a child of a wealthy family. Around then,

TOKYO 00002715 009 OF 014

he was already making himself out to be a bad guy. His cousin, Koichiro Noda, a science-fiction writer, explained: "The privileged position of his family may have been a burden on him."

When he was a third-grade elementary school student, Aso moved to Tokyo where he was enrolled in the Gakushuin Elementary School. He was then no longer a standout among his peers. He perhaps finally was able to relax. Former Administrative Vice Foreign Minister Masahiro Akiyama, a classmate, said: "When I think of Aso, all I recall about him was his laughing face. A barbed tongue, did he have such? I can't recall it."

Aso says half-jokingly: "Having Shigeru Yoshida as my grandfather was more trouble than it was worth." But his sense of values was developed under the influence of Yoshida, who doted on Aso too much, and would even bring him along to news conferences.

Yoshida's friends like Hayato Ikeda (later a prime minister) called on Yoshida at his residence. They became something like a catalyst that led Aso to politics. Reporters assigned to cover Yoshida sat at the same breakfast table. Aso cultivated his views of history and of the state from what he learned by listening to political discussions among those adults and their talk about the past.

"You shouldn't judge people by how they look. But people will judge you by how you look," Yoshida said. This advice has become the basis for Aso to become meticulous about his belongings and clothes. Even now he buys a suit of clothes at a tailor shop at Aoyama, Tokyo, where he bought his suit for the first time when his mother brought him there.

"He tends to look cool"

The trigger that led Aso to become a politician was his assumption of chairmanship of the Japan Junior Chamber of Commerce in 1978, when he was serving as president of Aso Cement. In 1979, when he decided to run in a Lower House election for the first time, his mother strongly opposed his candidacy. But he ran anyway, following his grandfather's words: "Once you decide to do something, never waver but just do it."

When Aso likes to read books; he underlines what he thinks is important to understand. He secretly learned calligraphy and now he can write a letter by using a brush. His old friend portrays Aso as "a hardworking person who pretends not to work hard." His sister said: "He tries to make himself look cool."

When asked about differences with other post-Koizumi contenders, for instance, Shinzo Abe, Aso says: "Unlike the others, I am a cheerful person." But at one point he was told by his friend lawmaker, "You have tended to have a frown on your face since you became cabinet minister." So, Aso is now trying to smile.

(9) Poll: 92.5% read newspapers

TOKYO SHIMBUN (Page 3) (Full)
May 17, 2006

The Japan Newspaper Publishers and Editors Association (Nihon Shinbun Kyokai or NSK for short) conducted an opinion survey of public access to and ratings for the five major segments of the media: newspapers, television, radio, magazines, and the

TOKYO 00002715 010 OF 014

Internet. In the survey, respondents were asked if they read newspapers, and 92.5% of them answered "yes." This shows that the newspapers are highly esteemed even in the multimedia age.

NSK has conducted three surveys in 2001, 2003, and this time in October last year. A total of 6,000 persons were chosen from among those aged 15-69 for the latest survey, and answers were obtained from 57.4%.

In the survey, asked how many days of the week they spend their time reading newspapers (morning editions), respondents said the average number was 5.6 days, showing that they read newspapers almost every day. In addition, 93.0% supported door-to-door paper delivery services. Newspapers were reconfirmed as the key source of information in the media.

The survey also probed into the public image and evaluation of various other types of media. In this rating, the newspapers topped all other media as "indispensable information sources" (53.6%), "socially influential entities" (53.4%), and "good sources to know about local communities" (52.1%). In addition, respondents also gave high marks to television, citing commercial broadcasters for "friendliness" (67.0%) and the official broadcaster NHK for "accurate information" (43.8%).

In the survey, respondents were further asked if they access the Internet. In response, more than 60% answered "yes," showing an increase of about 3 percentage points over the last survey. "Newspapers and television are still the key players in the mass media," NSK concluded.

(10) Self-protection of bureaucrats a universal practice

BUNGEISHUNJU (Pp. 234-235) (Abridged slightly)
June 2006

Mock six-party talks held in Tokyo in mid-April to discuss the North Korean nuclear issue demonstrated that bureaucrats of any country are skilled in protecting themselves and avoiding taking responsibility.

It all started with the Foreign Ministry's frustration with the Prime Minister's Official Residence (Kantei), especially with prime minister's secretary, Isao Iijima, over deadlocked Japan-North Korea relations. "Things have not been quite right since Deputy Foreign Minister Mitoji Yabunaka (who entered the ministry in 1969) was removed from responsibility." Criticism was directed at Asian and Oceanian Affairs Bureau Director General Kenichiro Sasae. Iijima has a poor impression of Sasae, who was close to former Chief Cabinet Secretary Yasuo Fukuda, Iijima's "enemy." In an apparent attempt to solidify his position for the next five months before Prime Minister Koizumi steps down, Sasae lobbied

the United States and South Korea for trilateral talks.

US Assistant Secretary of State Christopher Hill also jumped into the spotlight at that point. Although Hill compiled a joint statement following the six-party talks last September, there has been no progress in the talks since then. Hill, regarded as an attention seeker in the US government, readily jumped at Sasae's proposal for the trilateral talks.

South Korean chief negotiator, Chun Young Woo, also become director of the Office of the Diplomatic Policy just last year.

TOKYO 00002715 011 OF 014

Sasae, Hill, and, Chun were all too eager to meet in Tokyo to play up their profiles.

North Korea, which had been suffering under America's financial sanctions, also dispatched Vice Foreign Minister Kim Gye Gwan to Tokyo in the faint hope of talks with the United States. Representing China, which proudly regarded itself as an intermediary, Vice Foreign Minister Wu Dawei also arrived in Japan. The lineup of such members raised the stakes.

Government officials had low expectations for the talks, however. Sasae whispered into the ears of Foreign Minister Taro Aso and Chief Cabinet Secretary Shinzo Abe, "Chances are slim for US-DPRK talks to occur on the sidelines of the six party talks." Washington also sent Director for Asian Affairs at the National Security Council Victor Cha to Japan to keep an eye on Hill so that he would not behave audaciously, driven by ambition.

The Tokyo conference ended without producing any tangible results. Despite that, Sasae proudly took the credit for the Tokyo session, over which the involvement of former Deputy Foreign Minister Hitoshi Tanaka (who entered the ministry in 1969) was mentioned. Sasae simply demonstrated a standard bureaucratic style.

(11) Yachi faction on the rise

BUNGEISHUNJU (Page 234) (Abridged slightly)
June 2006

The full text of a suicide note left behind by a diplomat at the Consulate General in Shanghai found its way into a newspaper, and a sensitive document on South Korea policy also was leaked. These incidents exposed the sloppiness of the Foreign Ministry's information control. The view is rife that insiders discontented with recent personnel appointments leaked them.

Word is out in the open that the post of administrative vice foreign minister, now occupied by Shotaro Yachi (who entered the ministry in 1969), will be handed over in succession first to Ambassador to Indonesia Shin Ebihara (who joined the ministry in 1971) then to Asian and Oceanian Affairs Bureau chief Keiichiro Sasae (1974), next to North American Affairs Bureau chief Chikao Kawai (1975) and then to Minister to the United States Akitaka Saiki (1976). They are all referred to as members of the "Yachi faction." It is widely rumored in the ministry that officials not belonging to the Yachi faction can never climb up to the vice minister's post.

In fact, such members as Deputy Foreign Minister Tsuneo Nishida (1970), Deputy Vice Minister for Foreign Policy Masaharu Kono (1973), European Affairs Bureau Director General Chikahito Harada (1974), Prime Ministerial Secretary Koro Bessho (1975), and Foreign Policy Bureau Deputy Director General Koji Tsuruoka (1976) -- are known as capable officials -- have been falling behind in the vice minister's race.

The same trend is also evident at the division director level. International Legal Affairs Division Director Takeo Akiba (1982), who is expected to become the first "non-China School" official to head the China and Mongolian Division, is a promising Yachi faction member. First North American Division Director Takeo Mori (1983), an ace among the junior to mid-level officials, regards

himself as a "direct descendant" of Akiba. Akiba, who has served in the now-defunct Treaties Bureau, belongs to the American School, like Yachi. Although Mori belongs to a different language school, he, too, has served in the Treaties Bureau.

Rivalries between language school-denominated factions, especially between the China School and the Russia School, used to create tensions in the Foreign Ministry. But the decline of those two large language schools has pushed Yachi faction members belonging to the American School to center stage.

(12) Market opening efforts stalled; Patriotic economy; Rising protectionism; Japan rushing to defend itself against inflow of foreign funds

ASAHI (Page 9) (Excerpts)
May 17, 2006

Akio Mimura, president of Nippon Steel Corporation, on March 29 categorically told reporters, "It is only natural for us to protect our company." Just before he made this comment, Nippon Steel had come up with a policy of countering takeover bids jointly with Sumitomo Metal Industries and Kobe Steel, with which it cross-holds stocks, though they are rivals.

In January, Mittal Steel Company of the Netherlands, which has become the world's largest steel company after taking over a number of competitors, announced that it had taken over Arcelor of Luxemburg, the world's second-largest steel manufacturer. The three Japanese steel makers' joint move appears to be an effort to defend themselves from Mittal's possible advance into the Japanese market. An executive of Japan Steel Corporation stressed, "It will be a threat to the domestic industry as a whole, if any of steel companies, which prop up the industry's competitiveness, is taken over by a foreign company."

Atsushi Yokoyama, deputy manager of the System Research Department of the Daiwa Institute of Research, said, "Following the recent series of takeover bids, an increasing number of companies are now trying to take measures against takeover bids." They are trying to defend themselves from foreign companies and investment funds that are actively engaging in border-crossing mergers and acquisitions of companies (M&As), using affluent funds.

The government is assisting companies in their effort to solidify their defensive posture. For instance, the government had planned to lift a ban on triangular mergers in the process of compiling a new corporate law. However, in mid-March last year, it postponed the enactment of the envisaged law. Business circles complained about the contents of the planned law, which was intended to make M&As easier. They claimed, "If the ban is lifted, foreign companies will launch major takeover bids."

According to M&A consulting company Recof Corp., the number of M&As in Japan has sharply increased since 2000, but cases in which foreign companies take over domestic companies have leveled off.

The Daiwa Institute of Research pointed out that the cross-holding of stocks among business players that appear to be intended to defend themselves against takeovers is reviving. The ratio of cross-held stocks dropped to 1.45% in 1999 on a monetary

basis, but it rose to 2.025% in 2004.

Irresolute toward international negotiations

Seiichi Ota, a Lower House member, during a meeting of the Agriculture, Forestry, and Fisheries Trade Research Council held in late April at the LDP headquarters welcomed the stalled trade

liberalization talks at the World Trade Organization (WTO), saying, "To tell the truth, it would be better if the talks fail." He also said, "In order to have rice treated as an exception, it is necessary for Japan to maintain that belief in the spirit of rice cultivation peculiar to Japan is culture." He thus emphasized that Japan should not succumb to a call for lowering tariffs on rice.

The multilateral trade talks (Doha Round), which started in 2001 with the aim of expanding global trade, were postponed, failing to meet the April 30 deadline for an agreement on new trade rules.

In view of the bogged-down WTO trade talks, the government and business circles are now focusing on signing free trade agreements. However, Japan has so far succeeded in concluding such a trade pact with only three countries.

Japan and the Philippines reached a consensus on an FTA, including the acceptance of nurses and nursing-care workers, but they have not yet signed the accord.

That is because Japan wants to limit the number of workers it accepts each year to several hundred on the grounds that the wages of Philippine workers are low; it is concerned that an influx of foreign workers all at once could worsen working conditions for Japanese workers. The Philippines denies the possibility.

Other Asian countries, such as South Korea and Thailand, are also calling on Japan to open its labor market for nurses and other types of workers in short supply in Japan. However, the Ministry of Health, Labor, and Welfare stands firm on its position that the objective of accepting nurses from abroad is to promote technical exchange and has nothing to do with adjusting supply and demand.

WTO member nations will aim to map out liberalization rules by the end of July at the Doha Round. Liberalization of trade in services, which would make progress in the financial and communications sectors easier, would be advantageous to Japan, but there is no sign of the government making a political decision. Business circles hope for the success of the Doha Round, but they are shunning the advance of foreign firms into the Japanese market as a result of liberalization.

Inward-looking industrialized countries

A senior official of the Ministry of Economy, Trade, and Industry expressed concern: "In trade, weak countries should be given a handicap like in golf so that all countries can play. If industrialized countries refuse to give in, weak countries will turn their backs and withdraw into seclusion." As a matter of fact, industrialized countries, such as Japan, the US and European countries, are increasingly becoming inward-looking.

TOKYO 00002715 014 OF 014

DONOVAN